

Required Supplementary Information

Budgetary Information

Budgetary Comparison Schedule

General Fund

For the Fiscal Year Ended June 30, 2003
(expressed in thousands)

	General Fund			
	Original Budget 2001-03 Biennium	Final Budget 2001-03 Biennium	Actual 2001-03 Biennium	Variance with Final Budget
Budgetary fund balance, July 1	\$ 410,520	\$ 564,950	\$ 564,950	-
Resources:				
Taxes	21,535,714	20,842,764	20,901,981	59,217
Licenses, permits, and fees	161,284	155,723	150,336	(5,387)
Other contracts and grants	480,967	476,844	441,029	(35,815)
Timber sales	7,255	7,352	7,526	174
Federal grants-in-aid	9,725,433	9,949,343	9,480,413	(468,930)
Charges for services	69,918	78,792	72,072	(6,720)
Interest income	91,500	92,507	59,492	(33,015)
Miscellaneous revenue	97,261	107,375	170,063	62,688
Transfers from other funds	351,964	1,190,230	1,256,683	66,453
Total Resources	32,931,816	33,465,880	33,104,545	(361,335)
Charges to appropriations:				
General government	2,367,753	2,277,419	2,294,689	(17,270)
Human services	16,292,131	16,031,670	15,934,400	97,270
Natural resources and recreation	509,265	520,455	489,473	30,982
Transportation	47,217	47,602	45,813	1,789
Education	13,863,237	13,856,765	13,702,636	154,129
Capital outlays	294,045	235,269	78,329	156,940
Transfers to other funds	140,142	140,883	157,332	(16,449)
Total Charges to appropriations	33,513,790	33,110,063	32,702,672	407,391
Excess available for appropriation				
Over (Under) charges to appropriations	(581,974)	355,817	401,873	46,056
Reconciling Items:				
Changes in reserves (net)	-	-	(46,984)	(46,984)
Entity adjustments (net)	-	-	49,692	49,692
Accounting and reporting changes (net)	-	-	-	-
Total Reconciling Items	-	-	2,708	2,708
Budgetary Fund Balance, June 30	\$ (581,974)	\$ 355,817	\$ 404,581	\$ 48,764

Budgetary Information

Budgetary Comparison Schedule

Budget to GAAP Reconciliation

General Fund

For the Fiscal Year Ended June 30, 2003
(expressed in thousands)

	General Fund
Sources/inflows of resources	
Actual amounts (budgetary basis) "Available for Appropriation" from the Budgetary Comparison Schedule	\$ 33,104,545
Differences - budget to GAAP:	
The following items are inflows of budgetary resources but are not revenue for financial reporting purposes:	
Transfers from other funds	(1,256,683)
Budgetary fund balance at the beginning of the year	(564,950)
The following items are not inflows of budgetary resources but are revenue for financial reporting purposes:	
Noncash commodities and food stamps	767,445
Unanticipated receipts	253,125
Noncash revenues	49,685
Revenues collected for other governments	51,282
Biennium total revenues	\$ 32,404,449
Fiscal Year 2002 total revenues	(15,905,985)
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	\$ 16,498,464
Uses/outflows of resources	
Actual amounts (budgetary basis) "Total Charges to Appropriations" from the Budgetary Comparison Schedule.	\$ 32,702,672
Differences - budget to GAAP:	
Budgeted expenditure transfers are recorded as expenditures in the budget statement but are recorded as other financing source (use) for financial reporting purposes.	(1,303,889)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(157,332)
The following items are not outflows of budgetary resources but are recorded as current expenditures for financial reporting purposes.	
Noncash commodities and food stamps	767,445
Expenditures related to unanticipated receipts	253,125
Capital lease acquisitions	18,424
Distributions to other governments	51,283
Biennium total revenues	\$ 32,331,728
Fiscal Year 2002 total expenditures	(15,992,487)
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	16,339,241

Budgetary Information

Notes to Required Supplementary Information

General Budgetary Policies and Procedures

The Governor is required to submit a budget to the state Legislature no later than December 20 of the year preceding odd-numbered year sessions of the Legislature. The budget is a proposal for expenditures in the ensuing biennial period based upon anticipated revenues from the sources and rates existing by law at the time of submission of the budget. The Governor may additionally submit, as an appendix to the budget, a proposal for expenditures in the ensuing biennium from revenue sources derived from proposed changes in existing statutes.

The appropriated budget and any necessary supplemental budgets are legally required to be adopted through the passage of appropriation bills by the Legislature and approved by the Governor. Operating appropriations are generally made at the fund/account and agency level; however, in a few cases, appropriations are made at the fund/account and agency/program level. Operating appropriations cover either the entire biennium or a single fiscal year within the biennium. Capital appropriations are biennial and are generally made at the fund/account, agency, and project level.

The legal level of budgetary control is at the fund/account, agency, and appropriation level, with administrative controls established at lower levels of detail in certain instances. The accompanying budgetary schedules are not presented at the legal level of budgetary control. This is due to the large number of appropriations within individual agencies that would make such a presentation in the accompanying financial schedules extremely cumbersome. Section 2400.121 of the GASB Codification of Governmental Accounting and Financial Reporting Standards provides for the preparation of a separate report in these extreme cases. For the state of Washington, a separate report has been prepared for the 2001-2003 Biennium to illustrate legal budgetary compliance. Appropriated budget versus actual expenditures, and estimated versus actual revenues and other financing sources (uses) for appropriated funds at agency and appropriation level are presented in Report CAF1054 for governmental funds. A copy of this report is available at the Office of Financial Management, 6639 Capitol Boulevard, PO Box 43113, Olympia, Washington 98504-3113.

Legislative appropriations are strict legal limits on expenditures/expenses, and overexpenditures are

prohibited. All appropriated and certain nonappropriated funds are further controlled by the executive branch through the allotment process. This process allocates the expenditure/expense plan into monthly allotments by program, source of funds, and object of expenditure. According to statute RCW 43.88.110(2), except under limited circumstances, the original allotments are approved by the Governor and may be revised only at the beginning of the second year of the biennium and must be initiated by the Governor. Because allotments are not the strict legal limit on expenditures/expenses, the budgetary schedules presented as required supplementary information (RSI) are shown on an appropriation versus actual comparison rather than an allotment versus actual comparison.

Proprietary funds typically earn revenues and incur expenses (i.e., depreciation or budgeted asset purchases) not covered by the allotment process. Budget estimates are generally made outside the allotment process according to prepared business plans. These proprietary fund business plan estimates are adjusted only at the beginning of each fiscal year.

Additional fiscal control is exercised through various means. OFM is authorized to make expenditure/expense allotments based on availability of unanticipated receipts, mainly federal government grant increases made during a fiscal year. State law does not preclude the over expenditure of allotments, although RCW 43.88.110(3) requires that the Legislature be provided an explanation of major variances.

Operating encumbrances lapse at the end of the applicable appropriation. Capital outlay encumbrances lapse at the end of the biennium unless reappropriated by the Legislature in the ensuing biennium. Encumbrances outstanding against continuing appropriations at fiscal year end are reported as reservations of fund balance.

Budgetary Reporting versus GAAP Reporting

Governmental funds are budgeted materially in conformance with GAAP. However, the presentation in the accompanying budgetary schedules is different in certain respects from the corresponding Statements of Revenues, Expenditures, and Changes in Fund Balance (governmental operating statement). In the accompanying budgetary schedules, budget and actual expenditures are reported only for appropriated activities. Expenditures are classified based on whether the appropriation is from the operating or capital budget. Expenditures funded by operating budget appropriations are reported as current expenditures classified by the function of the agency receiving the appropriation. Expenditures funded by capital budget appropriations are reported as capital outlays.

However, in the governmental operating statements, all governmental funds are included and expenditures are classified according to what was actually purchased. Capital outlays are fixed asset acquisitions such as land, buildings, and equipment. Debt service expenditures are principal and interest payments. Current expenditures are all other governmental fund expenditures classified based on the function of the agency making the expenditures.

Additionally, certain governmental activities are excluded from the budgetary schedules because they are not appropriated. These activities include: activities designated as nonappropriated by the Legislature, such as the Higher Education Special Revenue Fund, Higher Education Endowment Fund, federal surplus food commodities, electronic food stamp benefits, capital

leases, note proceeds, and resources collected and distributed to other governments.

Further, certain expenditures are appropriated as operating transfers. These transfers are reported as operating transfers on the budgetary schedules and as expenditures on the governmental operating statements. The factors contributing to the differences between the Budgetary Comparison Schedule and the Statement of Revenues, Expenditures, and Changes in Fund Balance are noted in the previous Budget to GAAP reconciliation.

Budgetary Fund Balance includes the following as reported on the Governmental Funds Balance Sheet: Unreserved, undesignated fund balance; Unreserved fund balance, designated for other specific purposes; and Reservation for encumbrances.

Pension Plan Information

Public Employees' Retirement System - Plan 1

Schedule of Funding Progress

Valuation Years 2002 through 1997 (dollars in millions)

	2002	2001	2000	1999	1998	1997
Actuarial Valuation Date	9/30/2002	9/30/2001	12/31/2000	12/31/1999	12/31/1998	12/31/1997
Actuarial Value of Plan Assets	\$ 10,757	\$ 10,990	\$ 11,111	\$ 10,456	\$ 9,219	\$ 8,211
Actuarial Accrued Liability	12,560	12,088	11,695	11,636	11,227	10,817
Unfunded Actuarial Liability	1,804	1,098	584	1,180	2,008	2,606
Percentage Funded	86%	91%	95%	90%	82%	76%
Covered Payroll	1,023	1,085	1,132	1,184	1,233	1,271
Unfunded Actuarial Liability as a Percentage of Covered Payroll	176%	101%	52%	100%	163%	205%

Source: Washington State Office of the State Actuary

Teachers' Retirement System - Plan 1

Schedule of Funding Progress

Valuation Years 2002 through 1997 (dollars in millions)

	2002	2001	2000	1999	1998	1997
Actuarial Valuation Date	9/30/2002	9/30/2001	6/30/2000	6/30/1999	6/30/1998	6/30/1997
Actuarial Value of Plan Assets	\$ 9,365	\$ 9,342	\$ 9,372	\$ 8,696	\$ 7,819	\$ 6,844
Actuarial Accrued Liability	10,235	9,895	9,566	9,529	9,354	9,044
Unfunded Actuarial Liability	869	553	194	833	1,535	2,200
Percentage Funded	91%	94%	98%	91%	84%	76%
Covered Payroll	741	800	957	984	1,046	1,083
Unfunded Actuarial Liability as a Percentage of Covered Payroll	117%	69%	20%	85%	147%	203%

Source: Washington State Office of the State Actuary

Pension Plan Information

Law Enforcement Officers' and Fire Fighters' Retirement System- Plan 1

Schedule of Funding Progress

Valuation Years 2002 through 1997 (dollars in millions)

	2002	2001	2000	1999	1998	1997
Actuarial Valuation Date	9/30/2002	9/30/2001	12/31/2000	12/31/1999	12/31/1998	12/31/1997
Actuarial Value of Plan Assets	\$ 5,095	\$ 5,369	\$ 5,440	\$ 5,150	\$ 4,568	\$ 4,087
Actuarial Accrued Liability	4,259	4,153	4,002	4,125	3,906	3,767
Unfunded (Assets in Excess of)						
Actuarial Liability	(836)	(1,216)	(1,437)	(1,024)	(662)	(320)
Percentage Funded	120%	129%	136%	125%	117%	108%
Covered Payroll	80	87	95	106	117	128
Unfunded Actuarial Liability as a						
Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A

N/A indicates data not available.

Source: Washington State Office of the State Actuary

Judicial Retirement System

Schedule of Funding Progress

Valuation Years 2002 through 1997 (dollars in millions)

	2002	2001	2000	1999	1998	1997
Actuarial Valuation Date	9/30/2002	9/30/2001	12/31/2000	12/31/1999	12/31/1998	12/31/1997
Actuarial Value of Plan Assets	\$ 8	\$ 10	\$ 10	\$ 9	\$ 8	\$ 5
Actuarial Accrued Liability	92	91	93	94	97	95
Unfunded Actuarial Liability	84	81	83	85	89	90
Percentage Funded	9%	11%	11%	10%	8%	5%
Covered Payroll	3.0	3.0	4.0	4.0	4.0	4.0
Unfunded Actuarial Liability as a						
Percentage of Covered Payroll	2800%	2700%	2075%	2125%	2225%	2250%

Source: Washington State Office of the State Actuary

Pension Plan Information

Volunteer Fire Fighters' Relief and Pension Fund

Schedule of Funding Progress

Valuation Years 2002 through 1997 (dollars in millions)

	2002	2001	2000	1999	1998	1997
Actuarial Valuation Date	12/31/2002	12/31/2001	12/31/2000	12/31/1999	12/31/1998	12/31/1997
Actuarial Value of Plan Assets	\$ 124	\$ 129	\$ 126	\$ 118	\$ 102	\$ 91
Actuarial Accrued Liability	110	99	96	98	94	69
Unfunded (Assets in Excess of)						
Actuarial Liability	(14)	(30)	(30)	(20)	(8)	(22)
Percentage Funded	113%	130%	131%	120%	109%	132%
Covered Payroll*	N/A	N/A	N/A	N/A	N/A	N/A
Unfunded Actuarial Liability as a						
Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A

*Covered Payroll is not presented because it is not applicable since this is a volunteer organization.

Source: Washington State Office of the State Actuary

Judges' Retirement Fund

Schedule of Funding Progress

Valuation Years 2002 through 1997 (dollars in millions)

	2002	2001	2000	1999	1998	1997
Actuarial Valuation Date	9/30/2002	9/30/2001	12/31/2000	12/31/1999	12/31/1998	12/31/1997
Actuarial Value of Plan Assets	\$ 5	\$ 5	\$ 5	\$ 4	\$ 4	\$ 4
Actuarial Accrued Liability	6	6	6	6	7	7
Unfunded Actuarial Liability	1	1	1	2	3	3
Percentage Funded	83%	83%	83%	67%	57%	57%
Covered Payroll	0.1	0.1	0.1	0.1	0.1	0.2
Unfunded Actuarial Liability as a						
Percentage of Covered Payroll	1000%	1000%	1000%	2000%	3000%	1500%

Source: Washington State Office of the State Actuary

Pension Plan Information

Schedules of Contributions from Employers and Other Contributing Entities

For the Fiscal Years Ended June 30, 2003 through 1998

	2003	2002	2001	2000	1999	1998
Public Employees' Retirement						
System - Plan 1 (expressed in millions)						
Employers' Annual Required Contribution	\$ 228.9	\$ 164.3	\$ 118.8	\$ 199.2	\$ 237.6	\$ 287.2
Employers' Actual Contribution	56.6	68.6	181.7	200.2	234.3	226.1
Percentage Contributed	25%	42%	153%	101%	99%	79%
Public Employees' Retirement						
System - Plan 2/3 (expressed in millions)						
Employers' Annual Required Contribution	\$ 141.7	\$ 72.0	\$ 55.6	\$ 103.6	\$ 86.6	\$ 106.3
Employers' Actual Contribution	38.2	51.0	115.0	101.9	238.4	222.8
Percentage Contributed	27%	71%	207%	98%	275%	210%
Teachers' Retirement						
System - Plan 1 (expressed in millions)						
Employers' Annual Required Contribution	\$ 153.4	\$ 119.8	\$ 90.6	\$ 176.1	\$ 209.7	\$ 269.7
Employers' Actual Contribution	20.4	59.5	141.3	183.0	222.5	211.6
Percentage Contributed	13%	50%	156%	104%	106%	78%
Teachers' Retirement						
System - Plan 2/3 (expressed in millions)						
Employers' Annual Required Contribution	\$ 79.5	\$ 66.7	\$ 40.4	\$ 56.2	\$ 45.9	\$ 59.8
Employers' Actual Contribution	18.2	46.4	69.6	75.3	100.2	105.6
Percentage Contributed	23%	70%	172%	134%	218%	177%
School Employees' Retirement						
System - Plan 2/3 (expressed in millions)						
Employers' Annual Required Contribution	\$ 44.2	\$ 19.5	\$ 6.7	**	**	**
Employers' Actual Contribution	6.2	11.3	19.9	**	**	**
Percentage Contributed	14%	58%	297%	**	**	**

Source: Washington State Office of the State Actuary

Note: The Annual Required Contribution (ARC) has gone down with market gains, changes in funding methods, and plan assumptions and up with market losses and plan changes, as have the contributions required by law. The timing of these ups and downs for the ARC and for actual contributions is different because the ARC and actual contribution rates are determined from the results of different valuations. As a result, actual contributions lag behind the ARC for reporting purposes. There are additional differences between the ARC and those required in the statute, but this explains why the actual contributions, as a percentage of required, can be higher one year and lower the next.

** SERS did not exist prior to 9/1/2000

Pension Plan Information

Schedules of Contributions from Employers and Other Contributing Entities

For the Fiscal Years Ended June 30, 2003 through 1998

	2003	2002	2001	2000	1999	1998
Law Enforcement Officers' and Fire Fighters' Retirement System - Plan 1 (expressed in millions)						
Employers' Annual Required Contribution	\$ -	\$ -	\$ -	\$ 6.3	\$ 6.9	\$ 7.5
Employers' Actual Contribution	0.1	0.1	0.1	6.3	7.2	7.6
Percentage Contributed	N/A	N/A	N/A	100%	104%	101%
State Annual Required Contribution	-	-	-	-	-	-
State Actual Contribution	-	-	-	-	48.8	50.4
Percentage Contributed	N/A	N/A	N/A	N/A	N/A	N/A

Law Enforcement Officers' and Fire Fighters' Retirement System - Plan 2 (expressed in millions)						
Employers' Annual Required Contribution	\$ 34.1	\$ 26.2	\$ 20.3	\$ 26.9	\$ 22.3	\$ 22.5
Employers' Actual Contribution	25.6	24.0	31.5	26.2	34.3	31.1
Percentage Contributed	75%	92%	155%	97%	154%	138%
State Annual Required Contribution	22.7	17.5	13.5	18.0	14.9	15.0
State Actual Contribution	16.4	15.6	20.9	17.1	22.2	20.1
Percentage Contributed	72%	89%	155%	95%	149%	134%

Washington State Patrol Retirement System - Plan 1 (expressed in millions)						
Employers' Annual Required Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employers' Actual Contribution	-	-	-	-	5.9	6.0
Percentage Contributed	N/A	N/A	N/A	N/A	N/A	N/A

N/A indicates data not available.

Source: Washington State Office of the State Actuary

Note: The Annual Required Contribution (ARC) has gone down with market gains, changes in funding methods, and plan assumptions and up with market losses and plan changes, as have the contributions required by law. The timing of these ups and downs for the ARC and for actual contributions is different because the ARC and actual contribution rates are determined from the results of different valuations. As a result, actual contributions lag behind the ARC for reporting purposes. There are additional differences between the ARC and those required in the statute, but this explains why the actual contributions, as a percentage of required, can be higher one year and lower the next.

Pension Plan Information

Schedules of Contributions from Employers and Other Contributing Entities

For the Fiscal Years Ended June 30, 2003 through 1998

	2003	2002	2001	2000	1999	1998
Judicial Retirement System (expressed in millions)						
Employers' Annual Required Contribution	\$ 16.2	\$ 14.2	\$ 13.3	\$ 12.5	\$ 12.2	\$ 11.6
Employers' Actual Contribution	6.2	6.2	7.3	7.3	8.8	8.8
Percentage Contributed	38%	44%	55%	58%	72%	76%
Judges' Retirement Fund (expressed in millions)						
Employers' Annual Required Contribution	\$ 0.1	\$ 0.2	\$ 0.2	\$ 0.3	\$ 0.3	\$ 0.4
Employers' Actual Contribution	0.3	0.3	0.8	0.8	0.8	0.8
Percentage Contributed	300%	150%	400%	267%	267%	200%
Volunteer Fire Fighters' Relief and Pension Fund (expressed in millions)						
Employers' Annual Required Contribution	\$ 0.8	\$ 0.8	\$ 0.7	\$ 0.7	\$ 0.8	\$ 0.7
Employers' Actual Contribution	0.8	0.8	0.7	0.7	0.8	0.7
Percentage Contributed	100%	100%	100%	100%	100%	100%
State Annual Required Contribution	0.7	-	-	0.1	0.8	-
State Actual Contribution	3.3	3.3	3.3	2.7	2.5	2.0
Percentage Contributed	471%	N/A	N/A	2700%	313%	N/A

N/A indicates data not available.

Source: Washington State Office of the State Actuary

Note: The Annual Required Contribution (ARC) has gone down with market gains, changes in funding methods, and plan assumptions and up with market losses and plan changes, as have the contributions required by law. The timing of these ups and downs for the ARC and for actual contributions is different because the ARC and actual contribution rates are determined from the results of different valuations. As a result, actual contributions lag behind the ARC for reporting purposes. There are additional differences between the ARC and those required in the statute, but this explains why the actual contributions, as a percentage of required, can be higher one year and lower the next.

Pension Plan Information

Notes to the Required Supplementary Information

Defined Benefit Pension Plans

For the Fiscal Year Ended June 30, 2003

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated below. Additional information as of the latest valuation follows.

	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3	SERS Plan 2/3
Valuation - date	9/30/2002	9/30/2002	9/30/2002	9/30/2002	9/30/2002
Actuarial cost method	entry age	aggregate***	entry age	aggregate***	aggregate***
Amortization Method					
Funding	level %	n/a	level %	n/a	n/a
GASB	level \$	n/a	level \$	n/a	n/a
Remaining amortization period (closed)	6/30/2024	n/a	6/30/2024	n/a	n/a
Asset valuation method	8-year graded smoothed fair value*	8-year graded smoothed fair value*	8-year graded smoothed fair value*	8-year graded smoothed fair value*	8-year graded smoothed fair value*
Actuarial assumptions:					
Investment rate of return	8.00%	8.00%	8.00%	8.00%	8.00%
Projected salary increases					
Salary Inflation at 4.5%, plus the merit increases described below:					
initial salary merit (grades down to 0%)	6.1%	6.1%	6.2%	6.2%	7.0%
merit period (years of service)	17 yrs	17 yrs	17 yrs	17 yrs	17 yrs
Includes inflation at		3.50%		3.50%	3.50%
Cost of living adjustments	Uniform COLA** Gainsharing COLA**	CPI increase, maximum 3%	Uniform COLA** Gainsharing COLA**	CPI increase, maximum 3%	CPI increase, maximum 3%

N/A indicates data not applicable.

* Asset Valuation Method (for the 8 year graded method): The actuarial value of assets is calculated under an adjusted market value method by starting with the market value of assets. For subsequent years the actuarial value of assets is determined by adjusting the market value of assets to reflect the difference between the actual investment return and the expected investment return during each of the last 8 years or, if fewer, the completed years since adoption, at the following rates per year (annual recognition):

Annual Gain/Loss			Annual Gain/Loss		
Rate of Return	Smoothing Period	Annual Recognition	Rate of Return	Smoothing Period	Annual Recognition
16% and up	8 years	12.50%	8-9%	0 years	100.00%
15-16%	7 years	14.29%	7-8%	1 year	100.00%
14-15%	6 years	16.67%	6-7%	2 years	50.00%
13-14%	5 years	20.00%	5-6%	3 years	33.33%
12-13%	4 years	25.00%	4-5%	4 years	25.00%
11-12%	3 years	33.33%	3-4%	5 years	20.00%
10-11%	2 years	50.00%	2-3%	6 years	16.67%
9-10%	1 year	100.00%	1-2%	7 years	14.29%
			1% and lower	8 years	12.50%

LEOFF Plan 1	LEOFF Plan 2	WSPRS Plan 1	JRS	Judges	VFFRPF
9/30/2002	9/30/2002	9/30/2002	9/30/2002	9/30/2002	12/31/2002
entry age	aggregate***	aggregate***	entry age****	entry age****	entry age
level %	n/a	n/a	n/a	n/a	level \$
level \$	n/a	n/a	level \$	level \$	level \$
6/30/2024	n/a	n/a	12/31/2008	12/31/2008	12/31/2017
8-year graded smoothed fair value*	8-year graded smoothed fair value*	8-year graded smoothed fair value*	market	market	4-year smoothed fair value
8.00%	8.00%	8.00%	8.00%	8.00%	8.00% n/a
11.7%	11.7%	6.0%	0.0%	0.0%	n/a
21 yrs	21 yrs	20 yrs			none
3.50%	3.50%	3.50%	3.50%	3.50%	
CPI increase	CPI increase, maximum 3%	CPI increase, maximum 3%	3.00%	none	

** Generally, all retirees over age 66 receive an increase in their monthly benefit at least once a year.

The Uniform COLA increase is added every July. On 7/1/1999, it was \$0.77 per year of service.

The Gainsharing COLA is added every even-numbered year if certain extraordinary investment gains are achieved.

In 1998 it was \$0.11. On 1/1/2000 it was \$0.28 per year of service. On 1/1/2002, no Gainsharing COLA was added.

The next Uniform COLA amount is calculated as the last Uniform COLA amount plus any Gainsharing COLA amount,

all increased by 3%. On 7/1/2000, it was $(\$0.77 + \$0.28) \times 1.03 = \$1.08$. On 7/1/2001, it was $(\$1.08 + \$0.00) \times 1.03 = \$1.11$.

On 7/1/2002, it was $(\$1.11 + \$0.00) \times 1.03 = \$1.14$. On 7/1/2003 it was $(\$1.14 + \$0.00) \times 1.03 = \$1.18$.

*** The aggregate cost method does not identify or separately amortize unfunded actuarial liabilities.

**** pay-as-you-go basis funding

Information about Infrastructure Assets Reported Using the Modified Approach

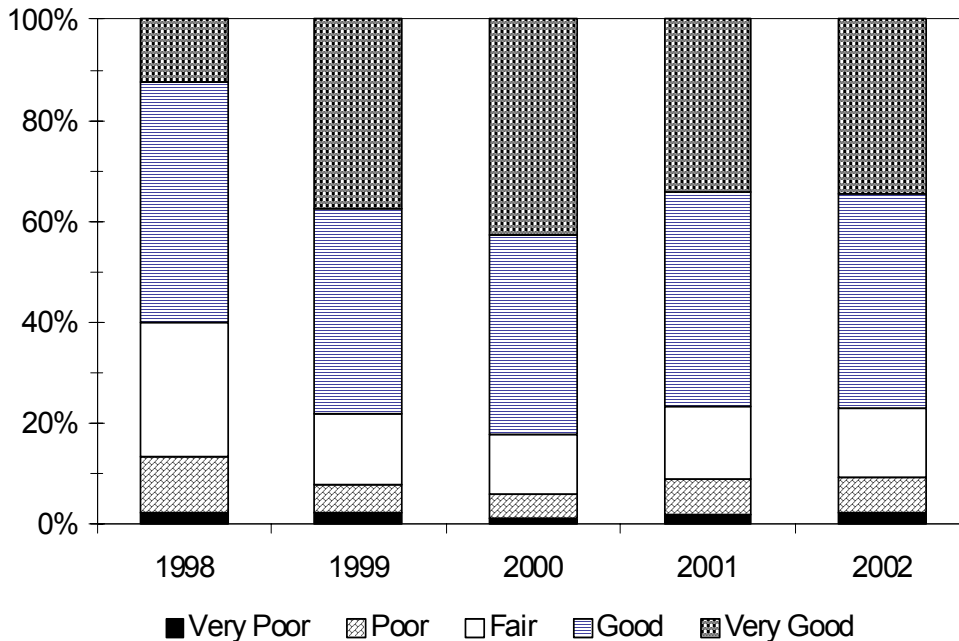
Condition Assessment

Pavement Condition

The Washington State Department of Transportation (WSDOT) owns and maintains 19,204 lane miles of highway, including ramps and collectors. WSDOT has been rating pavement condition since 1969. Pavement rated in *good* condition is smooth and has few defects. Pavement in *poor* condition is characterized by cracking, patching, roughness and rutting. Pavement condition is rated using three factors: Pavement Structural Condition (PSC), International Roughness Index (IRI), and Rutting.

In 1993 the Legislature required WSDOT to rehabilitate pavements at the Lowest Life Cycle Cost, which has been determined to occur at a PSC range between 40 and 60, or when triggers for roughness or rutting are met. The trend over the last five years has shown slight decreases in the percent of pavements in poor or worse condition.

Pavement Condition - All Pavements



In 2002, WSDOT rated pavement condition on 17,843 of the 19,204 lane miles of highway.

The Department of Transportation manages State Highways targeting the lowest life cycle cost per the Pavement Management System due date. While the department has a long-term goal of no pavements in poor condition (a pavement condition index less than 40, on a 100 point scale), the policy for the current biennium is to

maintain 90 percent of all highway pavement types at a pavement condition index of 40 or better with no more than 10 percent of its highways at a pavement condition index below 40. The most recent assessment found that State Highways were within the prescribed parameters with only nine percent of all pavement types with a pavement condition index below 40.

WSDOT uses the following scale for Pavement Structural Condition (PSC):

Category	PSC Range	Description
Very Good	80 – 100	Little or no distress. Example: Flexible pavement with 5% of wheel track length having “hairline” severity alligator cracking will have a PSC of 80.
Good	60 - 80	Early stage deterioration. Example: Flexible pavement with 15% of wheel track length having “hairline” alligator cracking will have a PSC of 70.
Fair	40 - 60	This is the threshold value for rehabilitation. Example: Flexible pavement with 25% of wheel track length having “hairline” alligator cracking will have a PSC of 50.
Poor	20 - 40	Structural deterioration. Example: Flexible pavement with 25% of wheel track length having “medium (spalled)” severity alligator cracking will have a PSC of 30.
Very Poor	0 - 20	Advanced structural deterioration. Example: Flexible pavement with 40% of wheel track length having “medium (spalled)” severity alligator cracking will have a PSC of 10. May require extensive repair and thicker overlays.

The PSC is a measure based on distresses such as cracking and patching which are related to the pavement’s ability to carry loads. Pavements develop structural deficiencies due to truck traffic and cold weather. WSDOT attempts to program rehabilitation for pavement segments when they are projected to reach a Pavement Structural Condition (PSC) of 50. A PSC of 50 can occur due to various amounts and severity of distress. Refer to the table above for examples for flexible pavements such as asphalt. For rigid pavements (such as Portland cement concrete), a PSC of 50 represents 50 percent of the concrete slabs exhibiting joint faulting with a severity of 1/8 to ¼ inch (faulting is the elevation difference at slab joints and results in a rough ride – particularly in large trucks). Further, a PSC of 50 can also be obtained if 25 percent of concrete slabs exhibit two to three cracks per panel.

The International Roughness Index (IRI) uses a scale in inches per mile. Rutting is measured in millimeters. The three indices (PSC, IRI, and Rutting) are combined to rate a section of pavement which is assigned the lowest category of any of the three ratings. The following table shows the combined explanatory categories and the ratings for each index.

Category	PSC	IRI	Rut
Very Good	100 – 80	<= 95	<= 4
Good	80 – 60	95 – 170	4 – 8
Fair	60 – 40	170 – 220	8 – 12
Poor	40 – 20	220 – 320	12 – 16
Very Poor	0 – 20	> 320	> 16

Notes: Based on WSPMS 2002 database. Ramps are not included. Based on all three indices: PSC, IRI and Rut. A section of pavement is assigned the lowest category based on the three indices. The following table lists the explanatory categories and the ranges of the underlying indices. From 1991 - 1998, previous year IRI and rut values were used for those sections that were not surveyed in a particular year.

Beginning in 1999, the pavement distress survey procedure changed from a windshield survey to an automated survey. In the automated survey, high-resolution video images are collected at highway speed and these video images are then rated on special workstations at 3-6 mph speed. This change has also resulted in a more detailed classification and recording of various distresses that are rated.

Pavement condition surveys are generally conducted in the fall of each year, then analyzed during the winter and spring, with the previous year’s results available by July each year. The chart on the following page shows recent pavement condition ratings for the State Highway System, using the combination of the three indices described above.

Condition Rating of Washington State Department of Transportation's Pavement

Percentage of Pavement in Fair or Better Condition					
	<u>2002*</u>	<u>2001*</u>	<u>2000*</u>	<u>1999*</u>	<u>1998*</u>
Statewide - Chip Seals	89	89	92	91	76
Statewide - Asphalt	91	92	95	93	90
Statewide - Concrete	92	92	92	90	92
Statewide - All Pavements	91	91	94	92	87

Percentage of Pavement in Poor or Very Poor Condition					
	<u>2002*</u>	<u>2001*</u>	<u>2000*</u>	<u>1999*</u>	<u>1998*</u>
Statewide - Chip Seals	11	11	8	9	24
Statewide - Asphalt	9	8	5	7	10
Statewide - Concrete	8	8	8	10	8
Statewide - All Pavements	9	9	6	8	13

* Calendar year data. Assessments are typically made in the fall of each year, and verified during the winter and spring, with final results released in June. Years indicated are when the physical assessment was done in the fall.

Note: The All Pavements percentages are calculated from total database averages, not a statistical average of the three pavement type percentages.

More information about pavement management at the Department of Transportation may be obtained at:
http://www.wsdot.wa.gov/biz/mats/pavement/pave_management_main.htm

Bridge Condition

During Fiscal Year 2003 there were 3,079 state-owned vehicular structures over twenty feet in length with a total area of 45,346,173 square feet. In addition to bridges, the 3,079 structures included 77 culverts and 30 ferry terminal structures. All bridges are inspected on a two to four year interval, with no more than 10 percent of the bridges inspected less than every three years. Divers inspect underwater bridge components at least once every five years in accordance with Federal Highway Administration requirements. Special emphasis is given to the ongoing inspection and maintenance of major bridges representing a significant public investment due to size, complexity or strategic location. Information related to public bridges is maintained in the Washington State Bridge Inventory System (WSBIS). This system is used to develop preservation strategies and comprehensive recommendations for maintenance and construction, and for reporting to the Federal Highway Administration (FHWA).

While the WSDOT has a 20 year goal of no structurally deficient bridges, the policy for the current biennium is

to maintain 95 percent of its bridges at a structural condition of at least fair, meaning that all primary structural elements are sound. The most recent assessment found that state-owned bridges were within the prescribed parameters with 97 percent having a condition rating of fair or better and only 3 percent of bridges having a condition rating of poor. Bridges rated as poor may have structural deficiencies that restrict the weight and type of traffic allowed. No bridges that are currently rated as poor are unsafe for public travel. Any bridges determined to be unsafe are closed to traffic.

The following condition rating data is based on the structural sufficiency standards established in the FHWA "Recording and Coding Guide for the Structural Inventory and Appraisal of the Nation's Bridges." This structural rating relates to the evaluation of bridge superstructure, deck, substructure, structural adequacy and waterway adequacy. Three categories of condition were established in relation to the FHWA criteria as follows:

Category	National Bridge Inventory Code	Description
Good	6, 7, or 8	A range from no problems noted to some minor deterioration of structural elements.
Fair	5	All primary structural elements are sound but may have deficiencies such as minor section loss, deterioration, cracking, spalling or scour.
Poor	4 or less	Advanced deficiencies such as section loss, deterioration, cracking, spalling, scour or seriously affected primary structural components.

Notes: Bridges rated in poor condition may be restricted for the weight and type of traffic allowed.

Condition Rating of Washington State Department of Transportation's Bridges

Percentage of Bridges in Fair or Better Condition					
Bridge Type	2003	2002	2001	2000	1999
Reinforced Concrete (1,301 bridges in FY 2003)	98	97	96	95	NA
Prestressed Concrete (1,275 bridges in FY2003)	99.5	99.5	99	99	NA
Steel (346 bridges* in FY 2003)	93	92	91	91	NA
Timber (64 bridges in FY 2003)	69	70	71	71	NA
Statewide - All Bridges (2,986 out of 3,079 bridges in FY 2003)	97	96.7	96	95	NA

Percentage of Bridges in Poor Condition					
Bridge Type	2003	2002	2001	2000	1999
Reinforced Concrete (29 bridges in FY 2003)	2	3	4	5	NA
Prestressed Concrete (7 bridges in FY 2003)	0.5	0.5	1	1	NA
Steel (28 bridges* in FY 2003)	7	8	9	9	NA
Timber (29 bridges in FY 2003)	31	30	29	29	NA
Statewide - All Bridges (93 out of 3,079 bridges in FY 2003)	3	3.3	4	5	NA

N/A indicates data not available.

*The steel bridge ratings for FY2003 include 24 Ferry terminal structures rated as fair or better and six Ferry terminal structures rated as poor. While the terminals are included in a depreciable asset category, they are included here with bridge condition information since they are evaluated by the WSDOT Bridge Office on a periodic basis.

Note: Bridges rated as poor may have structural deficiencies that restricted the weight and type of traffic

allowed. WSDOT currently has 13 posted bridges and 143 restricted bridges. Posted bridges have signs posted which inform of legal weight limits. Restricted bridges are those where overweight permits will not be issued for travel by overweight vehicles. Refer to <http://www.wsdot.wa.gov/freight/mcs/> for more information. Any bridges determined to be unsafe are closed to traffic. WSDOT had one closed bridge at June 30, 2003.

Additional information regarding the Department of Transportation's bridge inspection program may be obtained at:
<http://www.wsdot.wa.gov/eesc/bridge/index.cfm> or
<http://www.wsdot.wa.gov/accountability/default.htm>

Emergency Air Field Condition

The Washington State Department of Transportation (WSDOT), through its Aviation Division is authorized by RCW 47.68.100 to acquire and maintain airports. Under this authority, WSDOT owns eight emergency airfields and leases several others. Most of the airfields are located near or adjacent to state highways and range in character from paved to gravel or turf. The prime task of the airfields is to provide emergency facilities. Two airfields are in operational condition twelve months of

the year, with five operational from June to October each year. One is only available for emergency search and rescue use. In accordance with WSDOT policy, maintenance is done on each airfield annually to keep it at its existing condition of use. Each airfield is inspected a minimum of three times per year.

The definitions below form the rating criteria for the current airfield condition ratings which follow.

Category	Definition
General Use Community Airport	An airport with a paved runway capable of handling aircraft with a maximum gross certificated takeoff weight of 12,500 pounds.
Limited Use Community Airport	An airport with an unpaved runway capable of handling aircraft with a maximum gross certificated takeoff weight of 12,500 pounds.
General Recreational Use Airport	An airport with a turf (unpaved) runway near access to recreational opportunities with capacity for aircraft less than 12,500 pounds.
Limited Search and Rescue Forward Operating Location	An airport with a landing pad only capable of accommodating rotorcraft.

Condition Rating of Washington State Emergency Airfields

		<u>Number of Airports</u>				
Owned airports:						
Acceptable for general use as a community airport		2				
Acceptable for limited use as a community airport		1				
Acceptable for general recreation use		4				
Limited search and rescue forward operating location		1				
Total owned airports		8				
		<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Percentage of airports acceptable for general recreational use or better		88	88	88	88	88
Percentage of airports not acceptable for general recreational use or better		12	12	12	12	12

Notes: One airport is open only as a limited search and rescue operating location and is expected to remain in that status.

For pictures of specific airfields, see our website at: <http://www.wsdot.wa.gov/Aviation/airports/default.htm>

Information about Infrastructure Assets Reported Using the Modified Approach

Comparison of Budgeted-to-Actual Preservation and Maintenance

For the Fiscal Year Ended June 30, 2003
(expressed in thousands)

	FY 2002			FY 2003			Total		
Pavements	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
Preservation	\$ 134,810	\$ 127,946	\$ 6,864	\$ 119,160	\$ 123,883	(\$4,723)	\$ 253,970	\$ 251,829	\$ 2,141
Maintenance	23,746	19,485	4,261	22,796	24,123	(1,327)	46,542	43,608	2,934
Total	\$ 158,556	\$ 147,431	\$ 11,125	\$ 141,956	\$ 148,006	(\$6,050)	\$ 300,512	\$ 295,437	\$ 5,075
Bridges									
Preservation	\$ 24,270	\$ 16,307	\$ 7,963	\$ 22,460	\$ 23,988	(\$1,528)	\$ 46,730	\$ 40,295	\$ 6,435
Maintenance	11,430	11,012	418	11,222	12,853	(1,631)	22,652	23,865	(1,213)
Total	\$ 35,700	\$ 27,319	\$ 8,381	\$ 33,682	\$ 36,841	(\$3,159)	\$ 69,382	\$ 64,160	\$ 5,222
Emergency Air Fields									
Preservation & Maint.	\$ 70	\$ 64	\$ 6	\$ 70	\$ 58	\$ 12	\$ 140	\$ 122	\$ 18

Notes: Numbers for the Pavement and Bridges budget amounts came from the 2001-2003 biennial plan as shown in the WSDOT December 2001 *Monthly Financial Report* for sub-programs P1 (Roadway Preservation), P2 (Structures Preservation), and M2 (Roadway, Bridge & Tunnel maintenance). For FY 2002, the annual budget amount was calculated as half the biennial amount. The Preservation budgeted and actual amounts were adjusted for capitalized infrastructure and equipment in FY 2002.

The emergency airfields (program F3, State Airport Construction and Maintenance) budget amount came from the same sources as for pavements and bridges described above but is only one fourth of the biennial amount budgeted as half of the biennial budget is assigned for airfields not owned by WSDOT.

The Maintenance Accountability Process (MAP) measures and communicates the outcomes of 34 distinct highway maintenance activities. Maintenance results are measured via field condition surveys and reported as

Level of Service (LOS) ratings. LOS targets are defined in terms of the condition of various highway features (i.e. percent of guardrail on the highway system that is damaged) and are set commensurate with the level of funding provided for the WSDOT highway maintenance program. More information about MAP may be obtained at:
<http://www.wsdot.wa.gov/biz/maintenance/htm/accountability.htm>

The state implemented the requirements of Statement No. 34 of the Governmental Accounting Standards Board (GASB), including the provisions related to capitalizing and reporting infrastructure on the modified approach, in Fiscal Year 2002. While budget to actual information is not available for years prior to Fiscal Year 2002 using the GASB definitions of preservation and maintenance, historical budget to actual information for the entire Construction and Maintenance programs is available by contacting the WSDOT Budget Office at (360) 705-7500.